



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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CORPORATION COMMISSION ORDERS OVER \$1.6 IN RESTITUTION RELATED TO FRAUDULENT BANK NOTE TRADING SCHEME

The Arizona Corporation Commission found that European Marketing Group, L.C. ("EMG") and its managers, Charles Gregory, David Kimmel, and Charles Cox, violated the fraud and registration provisions of the Securities Act of Arizona in connection with their sale of EMG liability company membership interests. The Commission further ordered these and other respondents, Marvin Beckman and Planned Estates Consultants, Inc. ("PEC"), to pay restitution totaling approximately \$1,681,000 to investors, to pay penalties totaling \$90,000, and to cease and desist from violation of the Securities Act.

EMG and its managers represented that investor funds would be pooled for investment in "high dollar European Bank Notes." They further represented that trading of these notes would generate a return of 2% per month or 24% per year in a safe investment and that the "worst case scenario" would be an 8% annual return. During the hearing held on this matter, Dr. Boris Kozolchyk, a professor of International Commercial Transaction Law at the University of Arizona Law School, testified that the trading program promoted by EMG does not exist as a legitimate investment.

"Bank note trading programs, commonly known as 'Prime Bank Note' investments, like the one promoted by EMG, do not exist," stated Commissioner-Chairman Jim Irvin. He went on to note that, "These

programs pose a great threat to the financial security of Arizona's investors." Programs similar to the one promoted by EMG inform investors that they will make extraordinary returns on their investments through the trading of bank instruments - including notes, guarantees, and letters of credit - on a secondary market. The promoters explain that they can buy and sell these instruments for a large profit numerous times per year to generate profits for investors.

The Commission concluded that EMG, Mr. Cox, Mr. Kimmel, Mr. Gregory, PEC, and Mr. Beckman sold unregistered securities in violation of A.R.S. § 44-1841 and sold securities while not registered as dealers or salesmen in violation of A.R.S. § 44-1842. In addition, the order concluded that EMG, Mr. Cox, Mr. Kimmel, and Mr. Gregory committed fraud in the sale of EMG membership interests in violation of A.R.S. § 44-1991.

In the same action, the Commission found that Mr. Beckman and PEC provided investment advice while not licensed as investment advisers in violation of A.R.S. § 44-3151. Mr. Beckman and PEC advised 28 clients to purchase interests in Southwest Income Trust and Advantage Income Trust. The Commission ordered Mr. Beckman and PEC to pay restitution of approximately \$41,000, the amount of his compensation, and a penalty of \$14,000.

Victor Rodarte, Acting Director of the Securities Division, warns investors to "Hang on to your wallet and run if offered an opportunity to invest in prime bank notes, guarantees, or letters of credit. Call the Securities Division at (602) 542-4242 instead of becoming the latest financial victim of these scams that typically plunder investors for millions of dollars. The Securities Division will aggressively utilize all weapons in its arsenal to combat these insidious swindles." Investors are also encouraged to call for the free investor education information available through the Division's investor education program, which includes a speakers bureau. In addition, the Securities Division maintains a site on the world wide web at www.ccsd.cc.state.az.us.